

FISCAL MEMORANDUM

HB 1003 – SB 1275

April 23, 2007

SUMMARY OF AMENDMENT (005529): Deletes the language of the original bill. Adds new language to the “Prompt Pay Act of 1991” limiting retainage to no more than 5% of the amount of any such contract and requires such retainage be paid within 90 days of work being completed.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenues – Not Significant
Increase State Expenditures – Not Significant

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note

Assumptions applied to amendment:

- According to General Services, the bill as amended does not have an impact on the department.
- According to the Department of Finance and Administration (F&A), the state currently holds 5% retainage on all contracts over \$500,000, but places the retainage in an escrow account, usually in a banking institution of the contractor’s choosing.
- According to F&A, the state has exclusive access to the funds in case the contractor does not perform, but pays the contractor retainage plus interest earned if the contractor performs satisfactorily.
- Holding retainage for contracts valued under \$500,000 is not expected to increase state revenues or expenditures by a significant amount.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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